



# California Medical Assistance Commission

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## Cal-Mortgage Loan Insurance Program

Dale A. Flournoy, Deputy Director

August 11, 2005

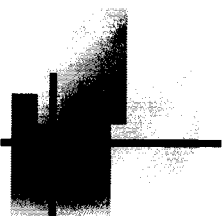


# Outline

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- I. California Health Facility Construction Loan Insurance Program
- II. The Loan Insurance Product
- III. Program Changes and Future
- IV. Hospitals: Insured with CMAC status

# California Health Facility Construction Loan Insurance Program



# Contact Cal-Mortgage

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- ❖ Cal-Mortgage Loan Insurance Division  
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Sacramento, CA 95814-4327
- ❖ Phone: (916) 324-9957
- ❖ E-Mail: [CMInsure@oshpd.ca.gov](mailto:CMInsure@oshpd.ca.gov)
- ❖ Web: [oshpd.ca.gov/calmort](http://oshpd.ca.gov/calmort)



## Our Statute States:

To provide, without cost to the state, an insurance program for health facility construction, improvement, and expansion loans in order to stimulate the flow of private capital into health facilities construction, improvement, and expansion and in order to rationally meet the need for new, expanded and modernized public and nonprofit health facilities necessary to protect the health of all the people of this state.



## **At No Cost To the State**

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All Operation and Administration Costs from  
Health Facility Construction Loan Insurance  
Fund (HFCLIF)

A Trust Fund Restricted to Support the Program



# **Advisory Loan Insurance Committee**

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- \* Mort Raphael, Chair – Health Care Planning Consultant
- \* Dwayne Jones, Vice Chair – CEO, Fairchild Med. Center
- \* Paul Coleman – Deputy Division Chief, OSHPD
- \* Barbara Hood – CEO, No. Calif. Presbyterian Homes
- \* Fredric Prager – Managing Director, Prager, Sealy & Co. LLC
- \* Marsha Parker Schapper – Consultant
- \* Robert Taylor – Long-term Care Administrator
- \* Department of Finance Representative



## Eligibility

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- ❖ Non-profit, public benefit corporations with a 501(c) (3) designation from the Internal Revenue Service
- ❖ Political subdivisions including cities, counties, health care districts, and joint powers authorities
- ❖ Loan must be used by an eligible “health facility” as defined in statute





## Eligible Facilities

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- Acute care hospitals
- Skilled nursing facilities
- Intermediate care facilities
- Primary care clinics
- Adult day health care facilities
- Multi-level facilities (CCRC's or RCFFE's with a SNF or ICF)
  - Assisted Living - eligibility limited
- Chemical dependency recovery facilities
- Mental health facilities
- Facilities for the developmentally disabled
- Group homes

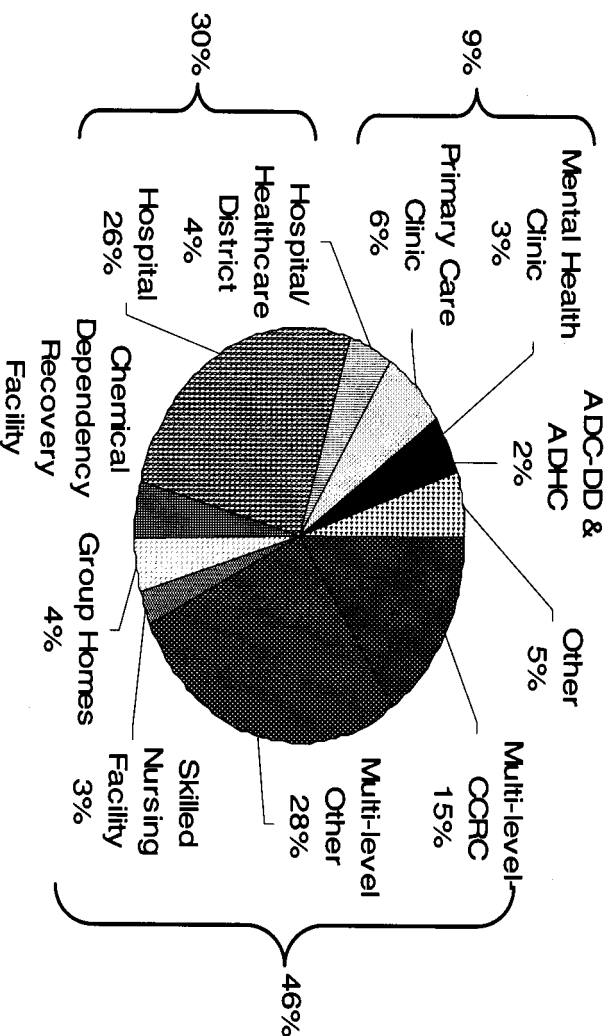
# % of Loans by Total \$ Insured

(as of June 30, 2005)

June 2005

Total Amount Insured:

\$1,260,565,324



\*ADC-DD - Adult Day Care -  
Developmentally Disabled

\*\*ADHC - Adult Day Health Care



# **Our Portfolio**

**(as of June 30, 2005)**

- ❖ **154 Insured Projects**
- ❖ **\$1.3 Billion of Current Insured Risk**
- ❖ **\$ 3 Billion of Underwriting Authority**
- ❖ **\$177 Million Insurance Fund**

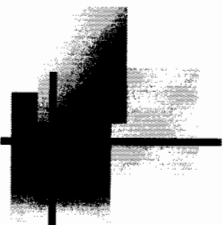


## **Applicant Costs**

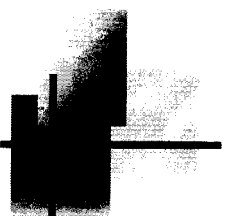
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- Application fee of \$500.
- One-time certification and inspection fee of 0.4% of the insured loan.
- One-time insurance premium up to 3% of the total principal and interest.

Insurance premiums are reduced for projects rated by Moody's, Standard & Poor's, or Fitch.



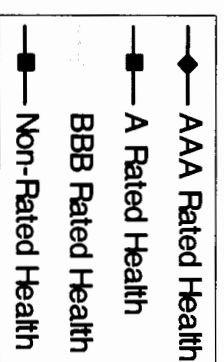
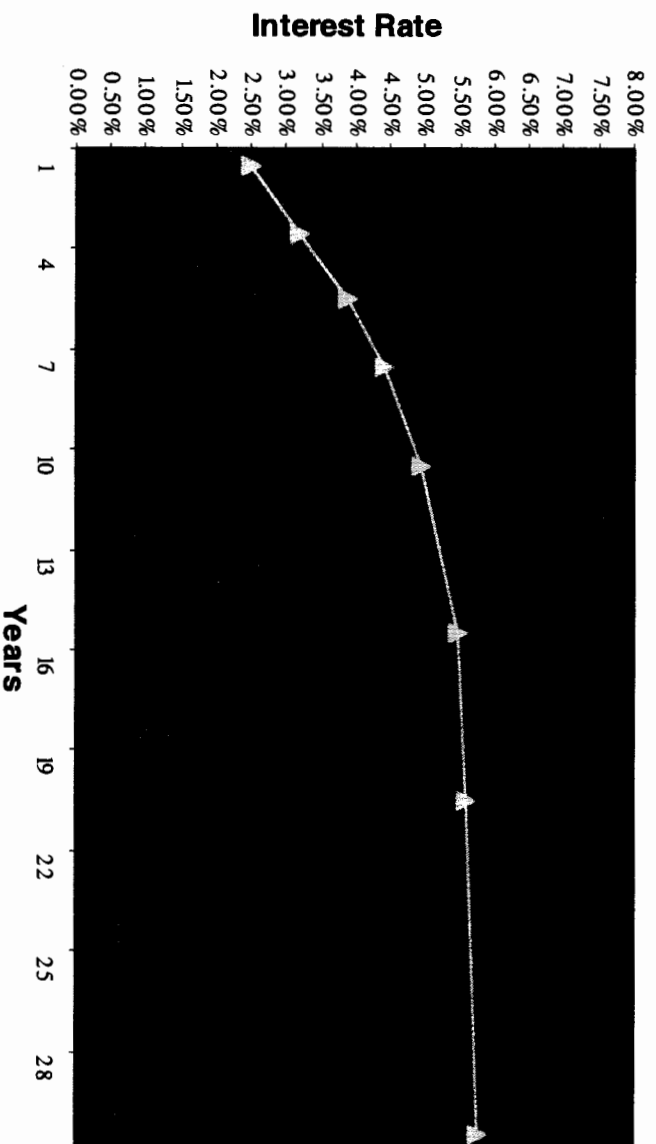
## ■ II. The Loan Insurance Product



## **What is Loan Insurance?**

- Provides a Guarantee of Repayment
- Transfers Lender Risk to Third Party
- Improves Credit Quality of the Borrower
- Lowers Borrower's (Interest) Rate

# Yield Curve Example





## **Example without Loan Insurance**

Amount	\$ 10,000,000
Term	30 years
Credit Rating	Unrated
Interest Rate	7.0%
Monthly Payment	\$ 67,155





## **Example with Loan Insurance**

Amount	\$ 10,600,000
Term	30 years
Credit Rating	A
Interest Rate	6.0%
Monthly Payment	\$ 64,173



## Comparison of Examples

	<u>Without</u>	<u>With</u>
Amount	\$ 10,000,000	\$ 10,600,000
Term	30 years	30 years
Credit Rating	Unrated	A
Interest Rate	7.0%	6.0%
Monthly Payment	\$ 67,155	\$ 64,173



# Relationships & Responsibilities

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- Borrower:
- Perform & Inform

## Cal-Mortgage:

- To be accessible
- Respond Timely
- Monitor Proactively
- Protect the Taxpayers from Loss



### ■ III. Program Changes and Future



## *Most Significant*

### State's Credit Rating

Downgraded: A to BBB (July 2003)

and

Upgraded: to A (August 2004)



# Changes to the Program

(Major)

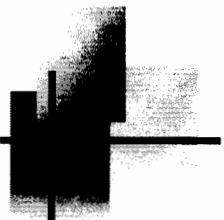
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- ❖ Projects greater than \$ 40 Million
- ❖ Fixed and Variable Rate Debt
- ❖ From 25 to 30 Year Amortization
- ❖ Addition of Wrap Insurance
  - ❖ Ambac - AAA
  - ❖ ACA - AA
  - ❖ Radian - AA
  - ❖ FGIC - AAA



# Future Program Growth

- ❖ State's Credit Rating
- ❖ State of the Economy  
(and Healthcare Financing)



## **IV. Hospitals:**

### **Insured with CMAC Status**



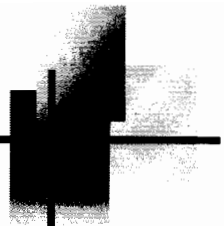


## **18 Hospitals, with Loan Insurance**

**6 - Have Contracts**

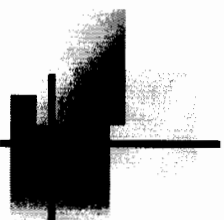
**5 - No Contract, moving to Managed Care**

**7 - Are in Open Area**



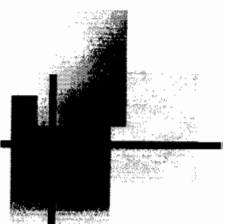
## Insured Hospitals with Contracts (6)

Henry Mayo Newhall Mem. Hospital	Valencia
Lodi Memorial Hospital	Lodi
Oroville Hospital	Oroville
Mission Community Hospital	Panorama City
Sherman Oaks Hospital	Sherman Oaks
St. Luke's Hospital	San Francisco



## Insured Hospitals in Counties Moving to Managed Care (5)

Corcoran Dist. Hospital	Kings County	GMC
El Centro Reg. Med. Center	Imperial County	GMC
Marshall Medical Center	El Dorado County	GMC
Sonoma Valley Health Care Dist.	Sonoma County	COHS
Tulare Dist. Healthcare System	Tulare County	COHS



## Insured Hospitals in Open Areas (7)

John C. Fremont Healthcare Dist.	Mariposa	Mariposa
Kern Valley Healthcare Dist.	Mountain Mesa	Kern
Lompoc District Hospital	Lompoc	Santa Barbara
Mayers Memorial Hospital Dist.	Fall River Mills	Shasta
Mendocino Coast Health Care Dist.	Fort Bragg	Mendocino
ValleyCare Health System	Pleasanton	Alameda
Victor Valley Community Hospital	Victorville	San Bernardino

Office of Statewide Health Planning and Development  
Cal-Mortgage Loan Insurance Division  
**Listing of Insured Hospitals**

as of June 30, 2005

Borrower Name	Borrower City	Date Loan Insured	Original Insured Amount	Current Principal Balance
Corcoran District Hospital	Corcoran	7/23/1992	\$1,555,000	\$965,000
Corcoran District Hospital	Corcoran	8/1/2001	\$800,000	\$623,016
EI Centro Regional Medical Center	EI Centro	4/26/2001	\$39,300,000	\$38,325,000
Henry Mayo Newhall Memorial Hospital	Valencia	6/15/2003	\$7,000,000	\$7,000,000
Henry Mayo Newhall Memorial Hospital	Valencia	2/21/2001	\$54,895,000	\$53,890,000
John C. Fremont Healthcare District	Mariposa	10/11/1994	\$5,840,000	\$5,065,000
Kern Valley Healthcare District	Mountain Mesa	9/26/2003	\$17,770,000	\$17,770,000
Kern Valley Healthcare District	Mountain Mesa	6/23/2000	\$2,000,000	\$1,044,757
Lodi Memorial Hospital Association	Lodi	10/26/2000	\$12,570,000	\$9,310,000
Lompoc District Hospital	Lompoc	9/23/1998	\$6,375,000	\$5,040,000
Marshall Medical Center	Placerville	10/6/1993	\$19,975,000	\$12,660,000
Marshall Medical Center	Placerville	3/25/2004	\$30,000,000	\$30,000,000
Marshall Medical Center	Placerville	3/25/2004	\$20,000,000	\$20,000,000
Marshall Medical Center	Placerville	5/13/1998	\$28,030,000	\$24,490,000
Mayers Memorial Hospital District	Fall River Mills	1/27/1994	\$9,220,000	\$6,540,000
Mendocino Coast Health Care District	Fort Bragg	8/28/1996	\$4,030,000	\$3,225,000
Oroville Hospital	Oroville	11/8/2000	\$2,500,000	\$2,267,635
Oroville Hospital	Oroville	10/15/1997	\$27,670,000	\$22,580,000
San Fernando Community Hospital	Panorama City	12/11/2001	\$35,445,000	\$34,590,000
Sonoma Valley Health Care District	Sonoma	4/30/2004	\$7,540,000	\$7,540,000
St. Luke's Hospital	San Francisco	7/15/1997	\$9,815,000	\$7,085,000
Tulare District Healthcare System	Tulare	12/4/1998	\$12,920,000	\$11,105,000
ValleyCare Health System	Pleasanton	7/8/1993	\$11,660,000	\$8,780,000
ValleyCare Health System	Pleasanton	7/22/1997	\$37,165,000	\$29,940,000
ValleyCare Health System	Pleasanton	5/6/1992	\$8,500,000	\$4,925,000
ValleyCare Health System	Pleasanton	6/25/2002	\$19,445,000	\$19,445,000
Victor Valley Community Hospital	Victorville	8/1/2002	\$1,700,000	\$1,727,420
Victor Valley Community Hospital	Victorville	5/26/2000	\$8,470,000	\$6,825,000
Victor Valley Community Hospital	Victorville	10/28/1999	\$3,000,000	\$2,798,890
<b>Hospital: General Acute Care</b>	<b>31</b>		<b>\$486,807,148</b>	<b>\$399,147,986</b>



# Looking Forward... Our Goals

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- Preserve Access to Capital
- Improve Actuarial Soundness
- Re-Evaluate the Program